

2003-2004 ANNUAL REPORT

ENTERPRISE FUNDS

Airport Operating Funds

The operating funds for the Airport Department consist of the following: the Airport Customer Facility and Transportation Fee Fund, the Airport Revenue Fund, the Airport Maintenance and Operation Fund, the Airport Surplus Revenue Fund, and the Airport Fiscal Agent Fund.

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 543,723	\$ 482,037	\$ (61,686)	(11.3%)
<i>Expenditure</i>	558,372	433,163	\$ 125,209	22.4%
<i>Fund Balance (est. *)</i>	45,780 *	108,088	\$ 62,308	136.1%

The most significant component of the revenue and expenditure variances listed above relates to the financing of Airport construction projects, programmed to help the Airport comply with security mandates implemented after the September 11 terrorist attacks. The Airport budget initially anticipated a single bond issuance to fund all security-related construction programmed in the 2003-2004 Capital Budget and the 2004-2008 Capital Improvement Program (CIP). Instead, a bond-financing schedule has been phased to fund selected projects in coordination with scheduled construction dates. As a result, actual 2003-2004 bond revenue is lower than budgeted. Specifically, the Airport budgeted a total of \$322.5 million to fund security-related projects; instead, only \$248.6 million in bond proceeds was necessary (or \$73.9 million less than anticipated). Offsetting this lower revenue variance is a \$34.5 million transfer to the Airport Surplus Revenue Fund to repay commercial paper debt that had been issued to fund planning and design work associated with the North Concourse project. As the result of the re-phased bond issuance schedule, the schedule to repay commercial paper debt was also adjusted.

The remaining revenue variance largely reflects a reduced transfer into the Airport Maintenance & Operation Fund. The full amount of the transfer was not required due to the successful implementation of expenditure saving plans, as well as conservative reserve use. The success of these measures allowed the Airport to reduce transfers into this fund by \$17.9 million or 18.1%. Restructuring the timing of debt service payments generated an additional \$2.6 million in savings. This allowed a reduction to transfers into the Airport Fiscal Agent Fund, which provides for principal and interest payments on outstanding debt.

The elements detailed above that reduced Airport transfers (and in part revenues) are also reflected in the expenditure savings of \$125.2 million. Expenditure transfers of bond proceeds into other Airport funds were less than budget by \$165.1 million and were primarily the result of lower bond proceeds. As mentioned above, cost controls implemented during 2003-2004 reduced

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ENTERPRISE FUNDS (CONT'D.)

Airport Operating Funds (Cont'd.)

the necessary transfers from the Airport Revenue Fund by \$17.9 million; and lower debt service payments reduced transfers by \$2.6 million. Offsetting these amounts, the Airport experienced \$38.7 million in costs associated with the Airport's latest bond issuance.

Savings in operating expenditures account for the remaining expenditure variance. During 2003-2004, the Airport established savings targets of \$4.9 million in service and program reductions to help balance operational expenses with anticipated revenues. Careful monitoring and management of resources allowed the Airport to meet and exceed savings targets in both personal services and non-personal/equipment. Personal services savings were the result of departmental vacancies and reduced overtime usage. In particular, overtime savings of \$209,270 amounting to 39.4% of budget and overtime costs were 15.2% lower than 2002-2003 expenditures. Non-personal/equipment savings resulted from aggressive cost reduction targets, decreased 2003-2004 overhead and electricity rates, conservative use of financial, business development and services contracts and lower repair and maintenance project costs. Finally, expenditure savings occurred in the Airport Customer Facility and Transportation Fee Fund as a result of reduced rental car shuttle bus hours and lower fuel usage.

The overall fund balance variance of \$62.3 million is the combined result of lower than estimated transfers, slightly higher than estimated parking revenues, expenditure savings in the various Airport funds, as well as the unspent reserves.